

{As Prepared for Delivery}

**National Association of Development Organizations
Midwest and Rocky Mountain Regional Conference
“Positioning America's Heartland for Regional Economic Vitality”**

**Kansas City, Missouri
May 4, 2006**

**Thomas C. Dorr
Under Secretary for Rural Development
Keynote Address**

Thank you, Sharon, for that very generous introduction. It is a distinct pleasure to be here. It's also a challenge to be batting leadoff with the murderers' row coming up behind me.

Kent Glasscock is next on the program and Chuck Fluharty will be speaking a bit later. Kent and Chuck could probably give my speech better than I can -- they've heard me enough times -- so I'll try to find at least a little bit new to say.

I also know that you're going to be hearing from a number of our State Directors later on – Lynn Jensen this afternoon; Greg Brannum, Tim

Ryan, Clare Carlson, Frank Frassetto, and Chuck Banks tomorrow. I hope I didn't leave anyone out.

If I forget something, I'll count on them to work it in. But seriously, I am delighted that so many of our State Directors are here. Rural Development is a team effort. We are partners.

It is a privilege for me to serve as a member of President Bush's team, and as the Under Secretary for Rural Development I get invited *ex officio* to a great many events such as this.

Happy as I am to come, however, I try never to lose sight of the fact that our partnership, to be effective, has to work at the grassroots.

The real work, in fact, isn't done in Washington, D.C.; it's done by you -- back home in your communities -- and on our end by a very dedicated group of people in our State and local offices.

So if you don't already know Clare, Frank, Chuck, and Lynn and the rest of our folks, be sure to buttonhole them before you leave tomorrow.

They do a terrific job, and they are the go-to guys for doing business with USDA Rural Development.

And, it is great to be here. That said, there *are* occasions – and this is one of them – when I know I’m preaching to the choir.

We are all here today because we live and work in small town and rural America. We are also here, most of us, because we treasure the values and traditions of the rural way of life.

But first and foremost, we’re here because there are tremendous opportunities in rural America today. That’s what I’d like to discuss this morning.

Those opportunities vary from place to place. Every community is unique. Rural America -- as we all know -- includes some regions that have been in long term decline. Some have been losing population for decades. On the other hand, rural America also includes many of the fastest growing towns and counties in the country.

But if you step back and look at rural America as a whole ... from the cornfields of Iowa to the Norman Rockwell towns of New England to native villages in Alaska and *colonias* in the southwest ...

... Two of the things that stand out are change and opportunity.

The world is in fact changing -- rapidly -- in ways that hold great promise for rural America. But it's not automatic: we have to be prepared to accept the change, to seize opportunities, to be entrepreneurial.

That begins by recognizing the opportunities that we do, in fact, enjoy – and very clearly there is today a convergence of factors that translate into remarkable new opportunities for rural America.

The first of these is the rural quality of life, which includes a whole matrix of factors that, just to put a label on it, I refer to as “Place.”

Place is peace is peace and quiet, clean air, and fishable streams. It's the kind of town in which you want to raise your kids. It's a lower cost of living and three times the house for the same price.

It's a saner pace of life in a walkable community with lower taxes and a better business climate. It's all the things you and I treasure about the rural way of life. These things aren't intangibles – they're concrete comparative advantages. You can put a price tag on them. Ask any real estate agent.

Just ask yourself when was the last time you saw a real estate ad boasting about a three hour commute, high taxes, a break-your-back mortgage, crime, congestion, and a yard the size of a postage stamp. Welcome to the big city.

The fact is, rural areas that can offer good jobs, good schools, and quality health care are great places to live. This levels the playing field, and allows people to vote with their feet. Let me give you two examples:

So, one family, one entrepreneur, one small business at a time, more and more people every year are choosing rural. This process won't be completed overnight. But a generation from now, I guarantee the social architecture of America will look very different.

A second and closely related factor is information technology – the computer, the internet, and the rise of the information economy. We are, in fact, witnessing the most radical decentralization of information in history. This changes everything.

It turns out, for example, when you look at 19th and early- to mid-20th century industrial and business organizations, centralization was often driven by administrative, not production, requirements ... by human engineering, not mechanical engineering.

From a production standpoint, dispersed facilities closer to suppliers and customers might have made sense. They certainly do today.

But back then, large organizations needed everyone in the same place so that they could move paper from desk to desk. It was expensive to duplicate management and technical support. Operations tended to become centralized simply because they were easier to control.

Today, however, computers and broadband are changing the rules.

They encourage distributed networks. They eliminate barriers of time and distance.

At one end of the scale, they allow the physical dispersal of big organizations. At the other, they give every entrepreneur a window to the world, and that means a chance to thrive -- even in a small town.

As a result, both individuals and businesses are today acquiring unprecedented locational flexibility. I'm sure you see this in your communities. We see it every day. And when people are free to choose, rural America stands to gain. I firmly believe that.

A third great area of opportunity is the emergence of a new, rural and ag based energy economy.

“Emergence,” in fact, is too tame a word. If you've seen the new King Kong movie, you will know the scene where the dinosaurs stampede down the ravine. What is happening today in ethanol, biodiesel, and wind is a bit like that stampede.

- **U.S. ethanol production last year exceeded 4 billion gallons and it's growing fast. The Energy Bill set a target of 7.5 billion gallons a year, and we're going to reach that well ahead of time.**
- **Biodiesel production is up from 5 million gallons in 2001 to 25 million gallons in 2004 to 91 million gallons last year. You heard that correctly – it almost quadrupled in a single year. The growth curve is incredible.**
- **U.S. wind power capacity by the end of last year reached 6,740 Megawatts with another 5,000 MW on the way. The U.S. Department of Energy estimates that wind can generate at least 6% of U.S. electricity by 2020.**

Energy from agriculture, in fact, offers the rural economy its biggest new market in history. What is even more exciting is that these are inherently distributed resources, with great potential for local investment, ownership, and wealth creation in rural communities.

So looking at the broad picture, I am -- frankly -- an incurable optimist about rural America. But that brings us to the core question: *What can we do, as rural development professionals, to turn these opportunities into tangible achievements in the communities we serve?*

You are going to hear some excellent suggestions over the next two days from some of the best in the business. But let me leave you with a couple of perhaps heretical thoughts – something I’m not known to do too often.

First, I truly believe -- contrary to our conventional self-image -- that rural America is awash in investment equity.

- **To take just one indicator, look at USDA’s Farm Balance Sheet, which is a widely accepted snapshot of the financial standing of the farm sector.**
- **As of February of this year, the Farm Balance Sheet indicated total farm equity in the United States of \$1.67 TRILLION with a debt-to-equity ratio of just 15% and net farm equity of \$1.45 TRILLION.**

- **That's just in agriculture, which – let's remember -- accounts for less than 4% of rural income, although a much higher percentage of total wealth.**

Now consider another statistic. I mentioned earlier the emergence of new energy sources as a key opportunity for rural America. To put the stakes in perspective:

- **The U.S. last year imported almost 5 billion barrels of oil and oil products. About 2 billion of that was from OPEC – basically the Middle East plus Indonesia, Nigeria, and Venezuela.**
- **At \$70 a barrel – which as of today is a bit low -- that's something approaching \$350 billion.**
- **By contrast, over the last 10 years, net farm income in the U.S. has averaged \$55.7 billion. It peaked higher in 2004 and 2005, but \$55.7 billion is the 10 year average. Our annual bill for oil imports is roughly six times average farm income.**

- **Displacing just 1 billion barrels of Middle Eastern oil imports with biofuels would be a gain to America's balance sheet greater than the average net farm income over the last 10 years.**

I offer these statistics simply to suggest the scale of the capital flows at work, and as a sobering reminder that markets, not government, are ultimately driving the engine.

At USDA Rural Development, for example, we will this year invest a little over \$17 billion in rural business, housing, infrastructure, and community facilities. Since 2001, we've invested over \$63 billion and created or saved over 1.1 million jobs. We've invested over \$350 million in renewable energy alone, and we've made available over \$1 billion for energy investments in 2006. That counts for something, and we work hard to be good stewards of the taxpayers' dollars.

But very clearly, our resources -- and yours -- are dwarfed by the private equity resources that are lying untapped in rural America today -- not to mention the international capital flows that are sweeping across the globe.

I would submit therefore -- that if we are serious about fostering rural economic development -- our success will be measured not by the number of people who line up for grants, but by the number of people who become entrepreneurs.

Our success will be measured in the partnerships we form, the businesses we help grow, the private investment we can encourage.

That's a challenge for all of us. It represents a sea-change from the government-centric, grantsmanship model of rural development. But I firmly believe it is where we need to go.

There are enormous opportunities in rural America, whether they are derived from Place, or from energy, or from the information technology. But the markets will drive us there, if we let them. And, frankly, I look forward to joining you on that journey.

Thank you.